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11 December 1973

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MEMORANDUM FOR:

THROUGH : Acting Chief, D/I

SUBJECT : Japanese Defense Expenditures

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The attached material is in response to your request

for information on Japanese defense expenditures. Overall military spending in Japan has increased sharply in recent years and present plans call for considerably more spending during the current 5-year defense plan which extends through early 1976. Japan, however, still spends less than 1% of GNP on the military and the share is not expected to rise at least over the next several years.

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Industrial Nations Division
Office of Economic Research

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JAPANESE DEFENSE EXPENDITURES

1. Japanese military spending, administered under Five-Year Defense Plans, has increased sharply since the late 1960s. During the fiscal year ending in March 1974 total defense outlays are expected to reach \$3.4 billion, compared with \$1.3 billion for the year ending in March 1970. Despite the sharp increase, some of which can be attributed to yen revaluation, military spending still amounts to less than 1% of gross national product and about 5% of total government outlays. Planned military spending during the entire Five-Year program that ends in March 1976 is expected to reach \$20.0 billion (See Table 1).

2. Approximately 90% of the total defense budget is allocated to the three Japanese military services; the Ground Self Defense Force (Army), the Maritime Self Defense Force (Navy) and Air Self Defense Force (Air Force). The Army receives about half the total, with the balance shared almost equally by the Navy and Air Force. Personnel costs account for about 50% of overall outlays and new equipment procurement another 25% (See Table 2).

3. Japan's permanent uniformed military force now includes nearly 235,000 people. Almost 90% of the equipment

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utilized by this force is produced domestically. Of this, about half, on a value basis, is produced under foreign license or imported in component form. Total foreign purchases of military equipment range between \$100 million and \$200 million annually, practically all of which is procured from the United States. Tokyo plans to increase its inventory of domestically designed and developed equipment, particularly aircraft. The greater cost of domestic designs combined with the military's meager allocations for research and development, however, will make it extremely difficult for Japan to reduce significantly its dependence on foreign suppliers of sophisticated equipment and weapons technology.

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TABLE 1
JAPAN: MILITARY SPENDING IN FISCAL YEAR 1969 - 1973¹

	(MILLION US DOLLARS)				
	1969	1970	1971	1972	1973 ²
Army	588.3	701.0	865.0	1098.7	1372.5
Navy	317.8	386.9	479.9	622.1	788.4
Air Force	312.5	347.9	462.0	622.0	866.1
Bases and Facilities	84.2	98.2	120.2	230.2	295.6
Other	41.1	48.0	57.6	76.7	116.6
TOTAL	1343.9	1582.0	1984.7	2649.7	3439.2

¹Fiscal years begin 1 April of stated year. Spending for fiscal years 1969-1970 converted at 360 yen = 1 US\$; 1971 at 338 yen = 1 US\$; 1972 at 302 yen = 1 US\$; 1973 at 272 yen = 1 US\$.

²Based on 1973 budget request.

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TABLE II
DEFENSE BUDGET BY CATEGORY OF EXPENDITURE¹

(MILLION US DOLLARS)

	1972	1973 ²
Personnel Costs	1395.2	1799.3
Salaries	1149.3	1492.5
Other	245.9	306.8
New Equipment	697.5	917.5
Land-based weapons and vehicles	268.0	307.2
Aircraft	276.5	432.9
Vessels	115.5	132.7
Research and Development	37.5	44.7
Maintenance, Transport, Etc.	326.8	426.8
Bases and Facilities	230.2	295.6
TOTAL	2649.7	3439.2

¹For fiscal years beginning 1 April of stated year. Data for fiscal year 1972 converted at 302 yen = 1 US\$; 1973 at 272 yen = 1 US\$.

²Based on 1973 budget request.

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